



LEVERAGING CREATIVITY

Artists, Entrepreneurship, and Intellectual Property Law • May 15-16, 2014

Business Planning for The Arts

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The CLASSIC QUOTE

***“By failing to prepare,
you are preparing to
fail.” – Benjamin Franklin***

What IS a “Business Plan”?

- A Business Plan is a document that demonstrates the ability of your business to sell enough of its product or service to make a satisfactory profit and be attractive to potential investors.
- A Business Plan is a document to help sell the excitement and promise of your business to potential investors.

And ALSO...

- A Business Plan ORGANIZES your business to help YOU understand
 - How it works
 - What it does
 - Why it does what it does
 - Where you're going
 - Who you're selling to
 - How you will sell to them
 - What you (and others) need to do

Why Write a Business Plan?

- To sell yourself on the business
- To obtain bank financing
- To obtain investment funds
- To arrange strategic alliances
- To obtain large contracts
- To attract key employees
- To complete mergers and acquisitions
- To motivate and focus the management team
- To provide a **FRAMEWORK FOR GROWTH**

It doesn't have to be
COMPLICATED!



The Basics

- ▶ 1. The Feasibility Analysis
- ▶ 2. The Executive Summary
- ▶ 3. Products & Services
- ▶ 4. Marketing Plan
- ▶ 5. Management Plan
- ▶ 6. Financial Plan

But FIRST...

- ▶ The “product/service” itself – what does it do/represent? How is it different? How is it “new, groundbreaking, innovative”?
- “Innovation is about people using new knowledge and understanding to experiment with new possibilities in order to implement new concepts that create new value.”
- “Innovation is real change that creates a new dimension of performance.”

Where do GOOD ideas come from?

- Innovation is a new combination of components, ideas or processes – it can come from:
 - SOLVING A PROBLEM – something that you figure out a solution to...
 - NETWORKING WITH OTHERS – getting a lot of smart people together to figure things out...
 - MARKET FORCES – letting the market determine the use/usefulness of your concept/idea...

Innovation “Don’ts”

- Don’t simply try to be “clever”
- Don’t try to “fool” the public with something old you’re re-using
- Don’t diversify, don’t splinter, and don’t try to do too many things at once
- Don’t try to innovate for the future; innovate for the present!
- Don’t “try to be famous” up front
- Don’t try to “create new forms of expression and change the art/performance world”

Value Disciplines Principles & Practices

- Choose your clients/customers, narrow your focus, dominate your market
- Can't be all things to all people
- Components of value (price, time, quality – pick any two!) plus premium service
- Three value disciplines:
 - Operational Excellence – Low price/hassle free service
 - Product Leadership – Push performance boundaries
 - Customer Intimacy – what specific customers want

3 Types of Innovation

- Product and/or Service innovation – focuses on improving a product/service
- Operational innovation – focuses on making an internal business process a core strength
- Business model innovation – focuses on creating a new formula for making money.

3 Modes of Innovation

1) Sustaining Innovation

Customers: Most profitable customers in existing markets

Technology: Improvements along dimensions valued by current customers

Business Model: Similar to existing model, improves or maintains margins

Example:



3 Modes of Innovation

2) Low-End Disruption

Customers: Over-served customers in low end of existing market

Technology: Good enough on traditional metrics but lower prices

Business Model: New financial or operational model that earns attractive returns at low prices

Example:



3 Modes of Innovation

3) New Market Disruption

Customers: New customers or new context of use

Technology: Improved performance on new attributes (e.g. simplicity, convenience)

Business Model: New Business Model, often lower price points, new sales model & Distribution Channels

Example:



The Innovation Value Chain

- The process of transforming ideas into commercial outputs must be viewed as an integrated flow (end-to-end process). An organization's/person's capacity to innovate is only as good as the weakest link in its innovation value chain
- **THREE PHASES IN THE CHAIN:**
 - **Generate ideas** (in-house, cross pollination, external)
 - **Convert ideas – select ideas for funding and developing them into products/practices** (selection & development)
 - **Diffuse the products/practices** (spread)

When you Write Your Plan

- Try to “Solve a problem” – *What are you “fixing” for the consumer?*
- Be sure you are addressing a “problem in search of a solution” – NOT becoming a “solution in search of a problem
- Ask yourself several questions – WHY would people buy this? WHAT would they use it for? WHEN are they most likely to purchase it? WHERE would they use it? And, the biggest question...

Ask “What if...?”

- For example, you are employed by the Department of Transportation. Your question is: *“In order to reduce congestion, how can we persuade people to use their cars less and public transport more?”*
- *WHAT IF...*congestion were 10 times worse than it is now?
- *WHAT IF...*public transport were free?
- *WHAT IF...*people could fly?
- *WHAT IF...*the max speed limit was 10 mph?

Asking “Why”

- Creativity is the ability to look at the same things as everyone else but to see something different; Innovation is turning those ideas into ACTION.
- The typical 5-year old asks 65 questions a day; the typical 44-year old asks only 6. Make an effort to ask at least 20 questions per day. On the job, two of those questions should be:
 - What or how might people change or improve _____ to _____?
 - “What new or different ideas might change or improve _____?”

The Feasibility Analysis

▶ Key questions:

- Does it make sense?
- Is it reasonable?
- Is it something that consumers will get excited about?
- Are there any fatal flaws in the product's basic design or concept?

▶ Concept Test

- Show a concept statement to industry experts/a reasonable # of prospective customers/consultants
- Should contain a description of the product/service; the intended target market; benefits; description of how the product will be targeted relative to competitors; description of how it will be sold; a brief description of yourself/the management team
- Short survey for information – *less than 5–6 questions!*

Industry Attractiveness!

- ▶ Most attractive industries – large, growing, young, fragmented, structurally attractive
- ▶ Other factors –
 - Has to be structurally attractive for your business model/startup concept – low barrier to entry (few competitors, low cost to enter, rapid entry, simple market strategy)
 - Trends moving in favor (common sense – obvious market)
 - Importance of product/services (need it– desire it – not an overwhelming luxury)
 - “Perceived value” to the public (a “good idea”)

Target Market Attractiveness!

- ▶ A market within a larger market that represents a narrower group of customers with similar needs
 - Not “left handed females named Katherine with red hair who play polo on Tuesdays in Utah riding grey ponies – with white spots”
 - Still large enough to make significant profit (not “200 people with money”)
 - Not too large to be unable to meet demand (not “billions and billions of people” or Unreasonable (“Only 2% of the people in China!”))
 - Examples: Pets.com (FAILURE), H2O Audio (SUCCESS)

Organizational Attractiveness!

- ▶ Does the company/do you have management expertise, organizational competence, and resources to launch the business?
- ▶ Management Expertise
 - Self-Assessment – an honest look
 - Professional networks/Advisory Boards/”Right people”
 - Are you a “ballerina/pig farmer”? “It's no good running a pig farm badly for 30 years while saying, 'Really, I was meant to be a ballet dancer.' By then, pigs will be your style.” – Quentin Crisp
- ▶ Resource Sufficiency
 - Space, equipment, licenses, support, etc.
 - Can include proximity to similar firms, suppliers – logistics & the “knowledge economy” – ability to store/ship/supply?

Financial Attractiveness!

- ▶ Total Start-up cash needed
 - Where does the money come from?
 - Avoid “I plan to...” or “I’ll borrow from..” – have it IN HAND – or at least know where it is – no “maybe’s”.
 - Have the plan to repay structured in advance!!!
- ▶ Financial performance of similar businesses – Who else has “been there, done that”?
- ▶ Overall financial attractiveness of the proposed venture – ROI, ROI, ROI!!!
- ▶ THERE IS NO FREE MONEY!! No grants, no government money. UNDERSTAND THIS!
- ▶ Typical sources – YOU, the “3 F’s”, loans, angel investors

ALWAYS REMEMBER: The Simple Products Sell!



OVER 20 MILLION SOLD!!

Notes on the Executive Summary:

- ▶ The executive summary is typically two pages. *Less is more.*
- ▶ As the Summary provides highlights of the Business Plan, it should be the last thing in the plan that you write.
- ▶ There should not be anything in the summary that is not fully discussed in the plan.
- ▶ Use the summary as a “marketing piece” for your business – it should *completely explain* all aspects about your business.

Products/Services

The Products/Services section is your opportunity to list the products and services that you sell and to describe the benefits and features of your products and services

As always consider the Product/Services section from the perspective of the reader. What do they want to know here? How you will pay them back. Selling a product drives the revenue to pay them back.

What is it that you sell? What is it that your customer's *value*? What are the benefits of your product? How are you *different* from competitors?

Show the reader that you have a valued product/service and get them interested in it.

Product Features

What makes a product “stand out”?

- *Uniqueness* – a key factor in product success
- *Simplicity* – design – 2012 survey by Gartner – 7/10 Americans “just had to have” a product – was because of design – among 18–29 year olds, even higher
- *Function* – five characteristics of usability – effective, efficient, engaging, error tolerant, easy to learn
- *Value Proposition* – customer perception of better-than-average VALUE

Marketing & Selling

- ▶ Marketing is “communicating the value proposition”
- ▶ Show the product IN IT’S ENVIRONMENT
- ▶ Have CONSTANT & CONSISTENT EXPOSURE
- ▶ Sell the PERCEPTION – selling the dog
- ▶ ALWAYS BE CLOSING – ABC!



Have a PLAN...

Don't SWEAT DETAILS!

Market Research & Planning

- ▶ Market Identification & CHARACTERIZATION
- ▶ Thorough COMPETITOR ANALYSIS
- ▶ Understand your CRITICAL RISKS
- ▶ Know your TOTAL MARKET CAP
- ▶ Plan your MARKET CONTACT APPROACH



Understand your market!

Plan – then plan again!

Pricing Objectives & Options

Profit

Skimming

Prestige

Above market

Sales Volume

Penetration

Budget / Value

Price Lining

Bundling

Loss leader

Sale(s) Acquisition

Below market

Loss leader

Market Share

Penetration

Survival

Below market

Liquidation

Below market

Bundle

Developing Pricing Strategy



Advertising & Promotion

- ▶ Market Identification & CHARACTERIZATION
- ▶ Thorough COMPETITOR ANALYSIS
- ▶ Understand your CRITICAL RISKS
- ▶ Know your TOTAL MARKET CAP
- ▶ Plan your MARKET CONTACT APPROACH

Know “whom and how”

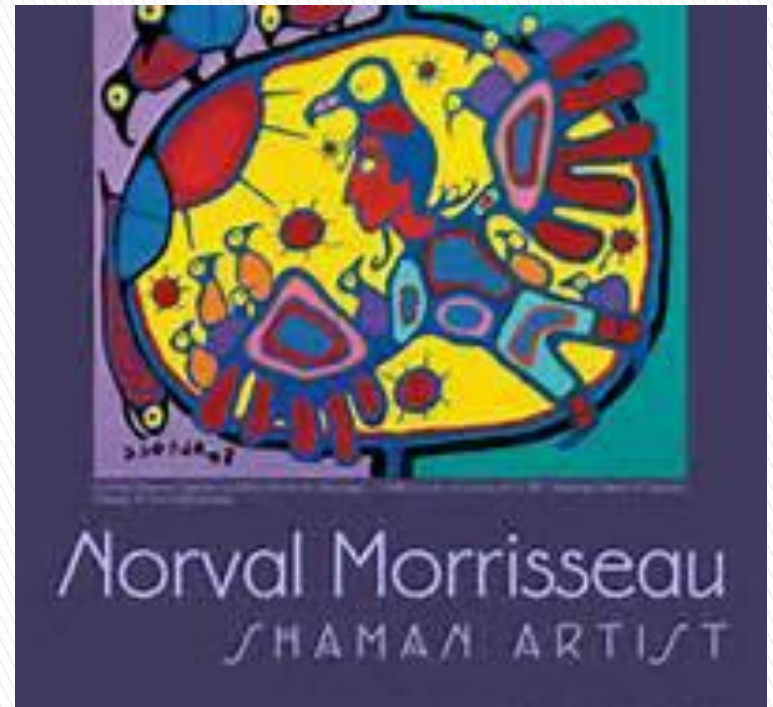


Promote Properly

Spend Wisely!

- ▶ DON'T “spam” your market
- ▶ DON'T rely on “word of mouth” only
- ▶ DON'T skimp on social media and social contacts
- ▶ DON'T put up a poor website or avoid updating it
- ▶ DO network, network, network
- ▶ DO copy the competition

Advertising is pricey – get over it!



Revise Frequently!

- ▶ Don't let your “plan” and strategy get stale!
- ▶ Update at least every 6 months!
- ▶ Change according to your MARKET – your market will change quickly
- ▶ Watch your competition!



“It is better to have enough ideas
for some of them to be wrong,
than to always be right by having
no ideas at all.”

Edward De Bono

